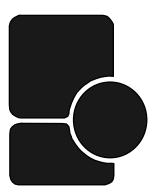
### Joint Legislative Audit and Review Commission of the Virginia General Assembly



### VRS Oversight: 2001 Semi-Annual Investment Report

JLARC Staff Briefing December 10, 2001

#### **VRS Oversight Act**

- Section 30-78 et seq. of the Code of Virginia requires JLARC to oversee and evaluate VRS on a continuing basis
- Areas for review and evaluation include:
  - Structure and governance
  - Actuarial policy and actuarial soundness
  - Administration and management
  - Investment practices, policies, and performance
    - Semi-annual investment report required

## Semi-Annual Investment Report

- The market value of the fund's assets as of September 30, 2001, was \$34.3 billion
- The past year has been volatile for the equity markets, and VRS' one-year return, at -26.7 percent, is a reflection of market conditions; it still outperformed the benchmark of -27.9 percent
- In addition, the total fund's 5.8 percent three-year and 9.0 percent five-year investment returns outperformed the benchmarks for those periods
  - The total fund investment return for the 10-year period ending September 30, 2001, was 10.0 percent

# Semi-Annual Investment Report

(continued)

■ While total returns for the one-year period ending September 30, 2001 were negative, fixed income and real estate continued to provide positive returns:

• Fixed Income 13.2 percent

• Real Estate 11.0 percent

■ The worst performance was in non-U.S. equity, at -31.5 percent for the one-year period ending September 30, 2001 Δ

#### Rebalancing Policy

- The Board of Trustees approved a change in the rebalancing policy:
  - In response to the large change in asset values after September 11:
    - VRS staff asked for and received the ability to rebalance the portfolio prior to month's end
    - In addition, the benchmark was rebalanced
  - After several months of analysis, a new policy was developed to move from a monthly rebalancing to a two percent target rebalance policy:
    - VRS staff expect that they will have to rebalance 2 or 3 times per year instead of 12 times per year
    - Strategic rebalancing should save time and transaction costs